

TUSCOLA COUNTY HEALTH DEPARTMENT
Caro, Michigan

Financial Statements
September 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		TUSCOLA COUNTY HEALTH DEPARTMENT		County TUSCOLA
Audit Date 9/30/04	Opinion Date 12/17/04	Date Accountant Report Submitted to State: 2/18/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>		

Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.			
Street Address 4855 STATE STREET	City SAGINAW	State MI	ZIP 48603
Accountant Signature <i>Heather A. Thomas</i>		HEATHER A. THOMAS, CPA	

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

December 17, 2004

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the accompanying financial statements of the governmental activities of Tuscola County Health Department, a component unit of County of Tuscola, Michigan, as of and for the year ended September 30, 2004, which collectively comprise the Health Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Tuscola County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuscola County Health Department as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

Board of Public Health
Tuscola County Health Department
December 17, 2004
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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2004, on our consideration of Tuscola County Health Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Our discussion and analysis of the Tuscola County Health Department's financial performance provides an overview of the Health Department's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with the Health Department's financial statements which begin on page 11.

Financial Highlights

- Emergency preparedness at the federal level remained a priority and resulted in increased funding for Bioterrorism Emergency Preparedness to \$221,939 in fiscal year 2003/2004. Before the end of the fiscal year, an additional \$31,000 became available and was earmarked for a backup power generator with the capacity to power the entire building, voicemail ports, radios and educational materials.
- Two programs were no longer available in fiscal year 2003/2004, the Colorectal Cancer Education Program and the Tobacco NOT program. This resulted in a loss of funding amounting to \$56,805. The Family Planning program caseload was reduced by Michigan Department of Community Health and funding reduced by \$8,138. All staffing levels were adjusted appropriately.
- Michigan Department of Community Health provided additional funding in the amount of \$6,000 to help defray costs of a school wide tuberculosis investigation, due to 2 positive cases in the school system.
- Funding became available from the Centers for Disease Control & Prevention to support local health jurisdiction West Nile Virus activities. We received \$5,000 for case investigation, bird surveillance and specimen collection activities that occurred between October 1, 2003 and May 30, 2004.
- As our telephone system was over five years old and considered obsolete, regular maintenance would no longer be available. It was recommended and approved that we lease a new phone system from GEE Communications for \$728 per month, including maintenance, for a five year period. As the fiscal year progressed there were concerns that our funding in the next year might be reduced at the State and County level. The decision was made to make an accelerated lease payment in the amount of \$45,739 while funds were available in fiscal year 2003/2004.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Financial Highlights (continued)

- Each year, Blue Cross rate increases have a significant impact on our agency. Last year we implemented a two tiered system to help contain costs, offering an 80/20 base policy free of charge to interested employees, and an upgraded version available to those wishing to pay the difference. This year rates increased by 11.79% to 15.68%, depending on level of coverage. The additional cost to the agency was \$18,432.
- We were notified by Michigan Department of Community Health, that the base allocation for WIC increased by \$5,425. Our request for additional "one-time" funding to increase existing staff time and provide outreach activities was also granted, for \$7,091.
- The large copy machine purchased in 2001 was no longer reliable and needed to be replaced. We requested bids on a copier/printer/scanner unit that was more economical to operate and would meet our needs for several years. The Board accepted a bid from IKON Office Solutions for \$11,281.
- Revenue and other financing sources increased and expenditures were adjusted to a level which resulted in an increase to the fund balance of \$43,860 overall.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Tuscola County Health Department, a component unit of the Tuscola County, as a whole and present a longer-term view of the Tuscola County Health Department's finances. Fund financial statements start on page 13. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Tuscola County Health Department's operations in more detail than the government-wide financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Health department's finances is, "Is the Health Department better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Tuscola County Health Department as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Health Department's net assets and changes in them. You can think of the Health Department's net assets, the difference between assets and liabilities, as one way to measure the Health Department's financial health, or financial position. Over time, increases or decreases in the Health Department's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Health department. At this time, the Health Department only engages in governmental activities.

REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS

Our analysis of the Health Department's only fund, a governmental special revenue fund of Tuscola County is defined below:

- Governmental funds- All of the Health department's services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. The governmental fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Health Departments operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

THE HEALTH DEPARTMENT AS A WHOLE

The Health Department's net assets increased \$111,850 from a year ago.

Table 1 Net Assets

As of September 30,	Governmental Activities	
	2004	2003
Current and other assets	\$ 850,112	\$ 789,205
Capital assets	204,646	151,006
Total assets	1,054,758	940,211
Long-term liabilities outstanding	85,973	97,159
Other liabilities	213,337	216,584
Total liabilities	299,310	313,743
Net assets:		
Invested in capital assets, net of related debt	204,646	147,872
Unrestricted	550,802	478,626
Total net assets	\$ 755,448	\$ 626,498

Table 2 Changes in Net Assets

For the year ended September 30,	Governmental Activities	
	2004	2003
Program revenue		
Charges for services	\$ 701,950	\$ 594,543
Operating grants and contributions	1,039,893	972,066
General revenue		
County Appropriations	386,550	384,468
Interest and rents	450	400
Other Revenues	385,251	492,412
Special item-loss on disposal of capital assets	(15,565)	-
Total revenue	2,498,529	2,443,889
Program expense		
Health department	2,386,679	2,391,664
Total expenses	2,386,679	2,391,664
Increase (decrease) in net assets	\$ 111,850	\$ 52,225

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

ANALYSIS OF BALANCES AND TRANSACTIONS OF GENERAL FUND

- The Fund Balance increased by \$43,860 as a result of revenue and other funding sources exceeding expenses in fiscal year 2003/2004. The undesignated general fund balance was \$399,593 at September 30, 2004, with the capital asset amount reported as \$204,646.
- Amounts designated as "Unreserved/Designated" by the Board of Health as of September 30, 2004 were:
 1. The amount of compensated absence balance to be used for future payment of compensated annual leave; and 50% of the amount of sick leave balance for employees eligible to retire in fiscal year 2004/2005 - \$85,974
 2. \$101,940 for future MERS-employer contributions
 3. \$46,835 for implementation of the TCHD wage schedule
- Amounts designated as "Reserved" by the Board of Health as of September 30, 2004 were:
 1. The amount in the "Children's Special Health Care Relief Fund" - \$473
 2. The amount in the "Flexible Spending Account" for employee unreimbursed medical expenses and dependent care - \$2,400
 3. The amount in the "Child Death Review Project Fund" - \$114
 4. The amount in the "United Way Blood-Lead Project" - \$1846

Capital Expenditures

- Significant capital expenditures:
 1. The purchase of a new generator with Bioterrorism Emergency Preparedness funds in the amount of \$29,913
 2. The purchase of a new copier/printer/scanner with Agency Support funds in the amount of \$11,281
 3. The accelerated lease payment of the new telephone system with Agency Support funds in the amount of \$45,739

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2004, the Tuscola County Health Department had \$204,646 invested in capital assets as follows:

	2004	2003
Building improvements	\$ 55,146	\$ 55,146
Computers and related equipment	297,240	296,775
Vehicles	30,808	30,808
Other equipment	184,207	177,136
Total	567,401	559,865
Less accumulated depreciation	(362,755)	(408,859)
Net fixed assets	<u>\$ 204,646</u>	<u>\$ 151,006</u>

Additional information on the Health Department's capital assets can be found in note 5.

LONG-TERM DEBT

At year-end, the Tuscola County Health Department had the following long-term debt:

Compensated absences	\$ 85,974
Total Long-term debt	<u>\$ 85,974</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Health Department Board amended the budget to take into account events which had a significant impact on revenue and expenses.

On the revenue side, a significant change occurred to the **Intergovernmental Federal/State** revenue line, which increased by \$20,157. We received \$6,000 from Michigan Department of Community Health to support tuberculosis prevention, screening and investigation activities; \$5,000 from the Center for Disease Control to support local health jurisdiction West Nile Virus activities; and one-time additional funding for the WIC Program in the amount of \$7,091. Other less significant changes occurred in this area of revenue resulting in the overall increase from the original budget.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Charge for Services revenue increased by \$12,855. We delivered more Flu Clinic services than originally anticipated, earning an additional \$5,771. During fiscal year 2003/2004, we entered into an agreement with a new qualified health plan provider to deliver services to their clients, which generated \$3,860. We saw more clients with Blue Cross and private insurance than estimated in the original budget.

Other Revenue increased from the original budget by \$40,348. The agency leased a new phone system in fiscal year 2003/2004, which was reflected in the "Loan Proceeds" revenue account.

Along with increased revenue from Federal/State sources and additional services rendered, expenditures increased accordingly, although **Salary & Wage** costs decreased by \$33,126. The Director of Environmental Health retired in the first half of the fiscal year, and staffing levels were adjusted in several programs throughout the year.

Supplies & Materials costs increased from the original budget by \$25,072. Drug/Vaccine costs increased by \$17,983, as the amount of vaccine we are required to purchase for those clients who do not qualify for free vaccine from Michigan Department of Community Health increased significantly. A number of other programs had less significant increases to the supply expense line.

Our **Contractual** expense increased from the original budget by \$18,498, mostly due to the fact we entered into a contractual arrangement with the recently retired Environmental Health Director to provide service until a replacement is available.

We were anticipating significant **Legal** expenses in fiscal year 2003/2004 to review agency policies, HIPPA regulations, employee issues, etc. as reflected in the original budget. We reduced this line expense in the final budget by \$14,000 as it was clear the cost would be much less. The majority of work to create policies for review was done in house.

The **Capital Outlay** and **Debt Service** budget lines increased significantly, as we purchased a new copier for \$11,281; and a new generator purchased through additional Bioterrorism funds for \$29,913 (including installation). A decision was made to payoff the newly leased phone system while funds were available for \$45,739.

Other expense decreased in the final budget as available amounts were shifted to other areas, such as supplies, contractual, and equipment. The amount moved elsewhere from the "Other" expense line, was \$13,130.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following is a listing of significant issues that may have an effect on future years:

- The Health Department's Board of Health and administrative staff considered many factors when developing fiscal year 2004/2005 budget plan. Information available from the Michigan Department of Community Health was limited as to funding levels and programs that were in question for continued funding. The County instructed we reduce our appropriation request by \$18,470. Fees were reviewed, and the quantity of services delivered and revenue generated were calculated.
- One budget priority was to keep the wage schedule current yet manageable, with expected funding levels. The Board of Health approved a 2% pay increase, effective October 1, 2004.
- With regard to health insurance, the agency again expects a considerable increase in the cost of premiums for the Blue Cross two-tiered plan now provided. We are exploring the new "MERS Premier Health Plan", a program providing group health coverage for public employers for medical, prescription drugs, dental and vision benefits. This program has been developed by Municipal Employees' Retirement System, licensed by the State of Michigan, and will become available in January 2005.
- The Municipal Employees' Retirement System (MERS) Annual Actuarial Valuation Report was received stating our agency continues to be funded at a 96% level. The employer contribution beginning January 1, 2005 will increase to 8.36% from 7.15% or \$97,719 for fiscal year 2004/2005. This increase of \$12,663 was factored into the 2004/2005 continuation budget.
- The Environmental Health Division requested replacement of one vehicle assigned to them, a 1993 Cavalier. Their budget was developed with \$10,000 available to purchase a used vehicle that will meet their needs.
- As always, consideration was given to the fact that the economy has a significant impact on funding we receive from all sources. The Board of Health and administrative staff will make adjustments to the agency budget as necessary to assure services are delivered in the most efficient manner with available funding.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

**CONTACTING THE TUSCOLA COUNTY HEALTH DEPARTMENT'S
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Tuscola County Health Department's finances and to show the Tuscola County Health Department's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Fiscal Manager at 1309 Cleaver Rd., Caro, MI 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	<u>Governmental Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 670,448
Accounts receivable	75,103
Due from State of Michigan	9,452
Due from other governmental units	5,300
Due from other counties	22,639
Prepaid expenditures	15,080
Inventory	52,090
Total current assets	<u>850,112</u>
Noncurrent assets	
Net capital assets	<u>204,646</u>
Total noncurrent assets	<u>204,646</u>
Total assets	<u>\$ 1,054,758</u>
LIABILITIES	
Noncurrent liabilities	
Accounts payable	\$ 84,732
Accrued wages payable	70,471
Accrued taxes payable	5,133
Deferred revenue	53,001
Total current liabilities	<u>213,337</u>
Noncurrent liabilities	
Accrued compensated absences	<u>85,973</u>
Total noncurrent liabilities	<u>85,973</u>
Total liabilities	<u>299,310</u>
NET ASSETS	
Invested in capital assets, net of related debt	204,646
Unrestricted	<u>550,802</u>
Total net assets	<u>755,448</u>
Total liabilities and net assets	<u>\$ 1,054,758</u>

See accompanying notes to the basic financial statements

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

		Program Revenues		Net (Expenses)
	Program Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				
Programs				
Personal Health	1,560,849	479,481	713,935	(367,433)
Environmental Health	353,064	222,469	73,019	(57,576)
Administration	195,053	-	-	(195,053)
Other	277,713	-	252,939	(24,774)
Total Governmental Activities	<u>2,386,679</u>	<u>701,950</u>	<u>1,039,893</u>	<u>(644,836)</u>
	General Revenues			
	County Appropriations			386,550
	Interest and rents			450
	Other Revenues			385,251
	Total General Revenues			<u>772,251</u>
	Special items			
	Loss on disposal of capital assets			(15,565)
	Change in net assets			111,850
	Prior year adjustment			17,130
	Net Assets-Beginning of the Year			626,468
	Net Assets-End Of Year			<u>\$ 755,448</u>
Change in net assets				111,850
Amount reported for governmental-wide statement of activities differ because:				
Capital outlays are reported as expenditures on a fund level				(96,891)
Depreciation is not reported on a fund level				27,685
The proceeds from the issues of long-term debt as other financing sources on a fund level				46,017
Gains or losses from the disposal of capital assets are not reported on a fund level				15,565
Repayments of principal on long-term debt is expenses on the fund level				(49,181)
The change in compensated absences is not recorded on a fund level				(11,185)
Excess of revenues and other financing sources over expenditures fund level				<u>\$ 43,860</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2004

	Governmental Fund Type
ASSETS	General
Cash	\$ 670,448
Accounts receivable	75,103
Due from State of Michigan	9,452
Due from other governmental units	5,300
Due from other counties	22,639
Prepaid expenditures	15,080
Inventory	52,090
Total Assets	<u>\$ 850,112</u>
LIABILITIES	
Accounts payable	\$ 84,732
Accrued wages payable	70,471
Accrued taxes payable	5,133
Deferred revenue	53,001
Total Liabilities	<u>213,337</u>
FUND BALANCE	
Reserved	
Children's Special Health Care Relief Fund	\$ 473
Child death review project	114
United Way Blood-Lead Project	1,846
Designated	
Compensated Absences	85,974
Retirement contribution	101,940
Wage schedule implementation	46,835
Unreserved Undesignated	399,593
Total fund balance	<u>636,775</u>
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	204,646
Some liabilities, including compensated absences and capital leases, are not due and payable in the current year and therefore are not reported in the funds.	(85,973)
Net Assets of Governmental Activities	<u>\$ 755,448</u>

The accompanying notes to financial statements are an integral part of this statement.

TUSCOLA COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund
<u>Revenues</u>	
Licenses and permits	\$ 206,882
Intergovernmental Federal/State	1,458,696
Charges for services	419,313
General contributions	14,362
Other	3,556
Total revenues	<u>2,102,809</u>
<u>Expenditures</u>	
Salaries and wages	1,312,320
Fringe benefits	342,581
Supplies and materials	260,286
Contractual	180,011
Legal	2,234
Health services	11,729
Telephone	15,103
Travel	68,833
Advertising	3,613
Insurance	28,224
Equipment repairs and maintenance	6,331
Central Service costs	13,755
Building lease and rentals	86,684
Capital outlay	96,891
Debt service	56,043
Other	31,613
Total Expenditures	<u>2,516,251</u>
Excess of revenues over (under) expenditures	(413,442)
<u>Other Financing Sources</u>	
Operating transfers in	
County appropriation in	386,550
Cigarette tax	24,735
Proceeds capital lease	46,017
Total other financing sources	<u>457,302</u>
Excess of revenues and other financing sources over expenditures	43,860
Fund Balance-beginning of the year as previously reported	575,785
Prior period adjustment	17,130
Fund balance-beginning of year	592,915
Fund balance- end of the year	<u>\$ 636,775</u>

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The accounting policies of the Tuscola County Health Department conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The Tuscola County Health Department (Health Department) is a component unit of the County of Tuscola, Michigan and operates under the legal supervision and control of the Tuscola county Board of Commissioners. The Tuscola County Board of Commissioners appoints the membership of the Board of Health (Board). The Board functions as the governing body of the Health Department. It sets policies and procedures and provides general oversight of the Health Department's operations in cooperation with the Tuscola County Board of Commissioners. The Health Department was established to protect the citizens of Tuscola County from disease, as well as to promote the general health and well-being of those citizens.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Tuscola County Health Department did not engage in any business-type activities for the year ended September 30, 2004.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenue.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement

Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from grants designated for payment of specific program expenditures are recognized when the related expenditures are incurred. Outpatient fees are reported as income when earned and billed. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when the related fund liabilities are incurred. However, debt service expenditures, expenditures relating to compensated absences and capital lease payments are recorded only when payment is due.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenue include: (1) personal health, and (2) environmental health. Internally dedicated resources are reported as general revenue rather than as program revenue.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity

Capital Assets -- Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building improvements	5 to 15 years
Computers and related equipment	5 to 10 years
Vehicles	4 years
Other equipment	3 to 15 years

Encumbrances are recorded by purchase orders and contracts at the time of issue. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances lapse at the end of the fiscal year.

Compensated Absences (Vacation and Sick Leave)

The Health Department's personnel policy provides for the accumulation of compensated leave for vacation and sick days. The Health Department is contingently liable for vacation time and unused sick time only upon death or retirement. Employees of the Health Department are granted vacation leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at the current rate of pay for a maximum of 32 days. At September 30, 2004, accumulated vacation payable amounted to \$81,320. Upon retirement, employees are paid accumulated sick leave at a rate of 50% of hours accumulated up to a maximum of 900 hours (450 hours paid). At September 30, 2004, two employees were eligible for retirement and the accumulated sick leave payable amounted to \$4,654.

Long-Term Obligations -- In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Health Department received monies from United Way to be used for emergency health care services for children. These monies are deposited into a separate bank account. Disbursements are made from this account by the Health Department as needed for emergency health care expenditures. At September 30, 2004, the balance in the "Children's Special Health Care Services Fund" was \$473, the "Child Death Review Project" was \$114 and the United Way Blood-Lead Project was \$1,846.

During the current year, the Board of Health designated monies from the unreserved fund balance and set them aside for future use. As of September 30, 2004, \$101,940 had been designated for future MERS employer contributions and \$46,835 had been designated for implementation of a new wage schedule.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Inventory

Inventory, which consists of vaccine supplies, is valued at cost determined by the State.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Health Department executives and directors meet to identify staffing and expenditures necessary to meet minimum program requirements and identify all applicable revenue sources, i.e. Fees, and Local, State, and Federal funding. A review of actual financial data from the most recent fiscal year is made and costs are updated to reflect known increases. The Finance Director then prepares draft budgets for each cost center. These drafts are then reviewed by the appropriate department executive and/or director, and suggested adjustments are made. The budget is then presented for review and recommendation to the full Board of Health. The Board of Health approves the proposed total agency budget on the same basis of accounting as the financial statement presentation, which is reflected in the Board of Health meeting minutes. The budget is adopted at the fund level.

Budgets lapse at the end of the fiscal year. Approved budgets are the submitted to appropriate grantor agencies.

Budget amendments are initiated upon semi-annual review of the budget to actual revenue and/or expenditures. A meeting is held to discuss necessary changes with the department executive and/or director. Budget amendments are then presented to the Health Officer for review. Upon approval of the Health Officer, the amended budget is then presented for review and recommendations to the full Board of Health. The Board of Health approves the amended budget and the approved amendment is reflected in meeting minutes. The approved amended budget is then submitted to appropriate grantor agencies.

During the year, the Local Governmental Unit budgeted variance as illustrated in the supplemental information section.

NOTE 3--Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more that 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments (continued)

The Health Department's cash consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. In accordance with the statutes of the State of Michigan, all cash received by the Health Department is transferred to the Treasurer of the County of Tuscola for deposit and investment of excess cash. The detail of cash at September 30, 2004 is as follows:

Petty cash – The Health Department maintained a cash balance of \$440.

Deposits – The carrying amount of the Health Department's deposits (checking accounts, etc.) was \$127,940 with a corresponding bank balance of \$153,289. Of that balance, \$53,289 is uninsured.

Deposits with County of Tuscola – The amount of the Health Department's deposits with the County of Tuscola was \$544,467. The County of Tuscola's cash and investments were not audited as of September 30, 2004. Therefore, the categorization into risk levels of the cash and investments could not reasonably be determined.

The Health Department's investment policy authorizes all of the above listed investments as authorized by Treasury.

NOTE 4--Receivables

Receivables as of year-end for the government's general, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 75,103
Due from State of Michigan	9,452
Due from other governmental units	5,300
Due from other counties	22,639
	<u>\$ 112,494</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of vaccine not used and miscellaneous advances

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Balance 10/1/2003	Additions	Disposals	Balance 9/30/2004
Building improvements	\$ 55,146	\$ -	\$ -	\$ 55,146
Computers and related equipment	296,775	4,108	3,643	297,240
Vehicles	30,808	-	-	30,808
Other equipment	177,136	92,783	85,712	184,207
Total	559,865	<u>\$ 96,891</u>	<u>\$ 89,355</u>	567,401
Less accumulated depreciation	408,859	27,685	73,789	362,755
Net capital assets	<u>\$ 151,006</u>			<u>\$ 204,646</u>

Depreciation expense of \$27,685 was charged as follows: administration \$15,526, environmental health \$4,495, personal health \$4,898 and other \$2,766.

NOTE 6-- Leases

The Health Department has entered into an operating lease with the County of Tuscola for office space. The lease provides for monthly payments to the County to partially finance the County Building Authority's debt service requirement on bonds issued to finance construction of the Health Department Building. The total rental expense under this operating lease for the year ended September 30, 2004 was \$85,676. Lease payments are determined annually by Tuscola County.

During the year ended September 30, 2004, the Tuscola County Health Department entered into an operating lease agreement for a postage meter. Monthly payments are \$84. The total expensed for the year ended September 30, 2004 was \$1,008.

Future minimum payments are as follows:

Year	Payment
2005	1,008
2006	1,008
2007	1,008
2008	588
Total	<u>\$ 3,612</u>

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Long-Term Debt

The following is a summary of long-term debt transactions of the Health Department for the year ended September 30, 2004:

	Payable 10/1/2003	Additions	Reductions	Payable 9/30/2004
Capital leases	\$ 3,164	\$ 46,017	\$ 49,181	\$ -
Compensated absences	97,159	-	11,186	85,973
	<u>\$ 100,323</u>	<u>\$ 46,017</u>	<u>\$ 60,367</u>	<u>\$ 85,973</u>

NOTE 8--Risk Management

The Health Department has joined together with other local governments in Michigan to form Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool currently operating as a common risk management and financing program for member Michigan local governments. The Health Department pays an annual premium to MMRMA for its general liability insurance coverage. The Agreement for Formation of the MMRMA provides that MMRMA will be self-sustaining through member premiums.

The Health Department continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee dishonesty and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9--Retirement System – MERS Operated

Plan Description

The Health Department's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Health Department participates in the Municipal Employees Retirement of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System – MERS Operated (continued)

Funding Policy

The Health Department employees are required to contribute at an actuarially determined rate; the current rate is 3% of the first \$4,200 of annual payroll and 5% of portions over \$4,200. The Health Department is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. The contribution requirements of the Health Department are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended September 30, 2004, the Health Department's cost of \$75,202 for MERS was equal to the Health Department's required and actual contributions. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the entry age normal actuarial funding method. The actuarial assumptions include, (a) an assumed rate of investment return that is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, (d) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement, (e) assumed rates of salary increase to project member compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System – MERS Operated (continued)

Annual Pension Cost (continued)

Three-year Trend Information

Fiscal	Annual Pension	Percentage of APC	Net Pension
<u>Year Ended</u>	<u>Cost</u>	<u>Contributed</u>	<u>Obligation</u>
9/30/2002	-	0%	-
9/30/2003	30,848	100%	-
9/30/2004	75,202	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) (c)
12/31/2001	3,774,946	3,625,691	(149,255)	104%	1,076,341	0%
12/31/2002	3,920,070	4,083,638	163,568	96%	1,189,628	14%
12/31/2003	4,300,960	4,478,686	177,726	96%	1,219,315	15%

NOTE 10--Deferred Compensation Plan

The Health Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Health Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The related assets and liabilities are not reported in the Health Department's financial statements as the assets are placed with a trustee. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Health department's financial statements.

NOTE 11--Economic Dependency

The Health Department received approximately 38% of its General Fund revenue and other financing sources from the Michigan Department of Community Health. Due to the significance of this revenue source to the Health Department, it is considered to be economically dependent.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 12--Prior Period Adjustment

Fund balance at September 30, 2004, has been adjusted by a total of \$17,130. The fund balance was increased by \$275 due to reimbursement grant settlements related to previous years not accrued at September 30, 2003, that were settled during the year ended September 30, 2003. Also, \$16,248 was a settlement of the fiscal year 01/02 Title V/XIX (Medicaid) cost report. Due to the nature of the reimbursement structure, certain cost-sharing and reimbursement grants cannot be readily determined for the appropriate year end. The remaining adjustments were due to refunds and credits.

Had the accruals been made, the excess of revenues and other financing sources over (under) expenditures for the year ended September 30, 2003, would have been increased by \$17,130.

REQUIRED SUPPLEMENTAL INFORMATION

TUSCOLA COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTMEBER 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<u>Revenues</u>				
Licenses and permits	\$ 268,236	\$ 194,356	\$ 206,882	\$ 12,526
Intergovernmental Federal/State	1,296,374	1,316,531	1,458,696	142,165
Charges for services	327,890	415,544	419,313	3,769
General contributions	12,557	10,315	14,362	4,047
Other	2,808	2,914	3,556	642
Total revenues	<u>1,907,865</u>	<u>1,939,660</u>	<u>2,102,809</u>	<u>163,149</u>
<u>Expenditures</u>				
Salaries and wages	1,344,857	1,311,731	1,312,320	589
Fringe benefits	347,230	341,275	342,581	1,306
Supplies and materials	125,896	150,968	260,286	109,318
Contractual	150,990	169,488	180,011	10,523
Legal	20,000	6,000	2,234	(3,766)
Health services	13,322	14,352	11,729	(2,623)
Telephone	21,425	21,622	15,103	(6,519)
Travel	62,854	66,229	68,833	2,604
Advertising	7,862	5,563	3,613	(1,950)
Insurance	26,758	27,296	28,224	928
Equipment repairs and maintenance	11,617	11,495	6,331	(5,164)
Central Service costs	9,821	13,018	13,755	737
Building lease and rentals	87,590	86,684	86,684	-
Capital outlay	34,000	75,228	96,891	21,663
Debt service	5,200	50,268	56,043	5,775
Other	53,101	39,971	31,613	(8,358)
Total Expenditures	<u>2,322,523</u>	<u>2,391,188</u>	<u>2,516,251</u>	<u>125,063</u>
Excess of revenues over (under) expenditures	(414,658)	(451,528)	(413,442)	38,086
<u>Other Financing Sources</u>				
Operating transfers in				
County appropriation in	386,551	386,551	386,550	(1)
Cigarette tax	28,107	24,735	24,735	-
Proceeds capital lease		40,242	46,017	5,775
Total other financing sources	<u>414,658</u>	<u>451,528</u>	<u>457,302</u>	<u>5,774</u>
Excess of revenues and other financing sources over expenditures	-	-	43,860	43,860
Fund balance-beginning of the year as previously reported	575,785	575,785	575,785	-
Prior period adjustment		-	17,130	17,130
Fund balance-beginning of year as restated	<u>575,785</u>	<u>575,785</u>	<u>592,915</u>	<u>17,130</u>
Fund balance-end of the year	<u>\$ 575,785</u>	<u>\$ 575,785</u>	<u>\$ 636,775</u>	<u>\$ 60,990</u>

The accompanying notes to the financial statements are an integral part of this statements.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

December 17, 2004

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the financial statements, the governmental activities, of the Tuscola County Health Department as of and for the year ended September 30, 2004, which collectively comprise the Tuscola County Health Department's basic financial statements and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tuscola County Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Public Health
Tuscola County Health Department
December 17, 2004
Page Two

Compliance

As part of obtaining reasonable assurance about whether the Tuscola County Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Sardner, Provenzano, Schawman & Thomas P.C.

Certified Public Accountants



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 17, 2004

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the compliance of the Tuscola County Health Department with the types of compliance requirements as described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Tuscola County Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tuscola County Health Department's management. Our responsibility is to express an opinion on the Tuscola County Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tuscola County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tuscola County Health Department's compliance with those requirements.

Board of Public Health
Tuscola County Health Department
December 17, 2004
Page Two

In our opinion, the Tuscola County Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control over Compliance

The management of the Tuscola County Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tuscola County Health Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Sardner, Provenzano, Schauman & Thomas P.C.

Certified Public Accountants

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

SECTION 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes x No

Reportable condition(s) identified not considered to material weaknesses?

 ___ Yes x None reported

Noncompliance material to financial statements noted?

 ___ Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes x No

Reportable condition(s) identified not considered to be material weaknesses?

 ___ Yes x None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?

 ___ Yes x No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.283

Bioterrorism

Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000

Auditee qualified as low-risk auditee? x Yes ___ No

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

SECTION II – Financial Statement Findings

There are no matters to report.

SECTION III – Federal Award Findings and Questioned Costs

There are no matters to report.

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<u>Michigan Department of Community Health</u>			
Family Planning (PCA 84630)	93.994	B1MIMCHS	\$6,911
Family Planning (PCA 84647)	93.217	05H000173	\$57,833
Family Planning (PCA 84627)	93.994	B1MIMCHS	\$12,605
Pregnancy Prevention (PCA 84510)	93.994	B1MIMCHS	\$34,910
Immunization-IAP (PCA 86829)	93.268	H23 CCH522556	\$9,737
Immunization-IAP (PCA 85437)	93.268	H23 CCH522556	\$12,393
Case Management Services (PCA 89720)	93.994	B1MIMCHS	\$7,701
Case Management Services (PCA 89770)	93.778	5XX05MI5048	\$951
Case Management Services (PCA 89710)	93.778	5XX05MI5048	\$11,093
EPI - TB Control (PCA 86117)	93.116	U52 CCU500499	\$6,000
Local MCH Block Grant (PCA 84577)	93.994	B1MIMCHS	\$43,366
CDI Smoking Prevention (PCA 81634)	93.283	U58 CCU522826 01	\$14,000
SIDS Counseling (Fixed Unit Rate)	93.994	B04MCO299	\$0
VFC Provider Site Visits (Fixed Unit Rate)	93.268	H23 CCH522556	\$1,000
Vaccines Provided (Fixed Unit Rate)	93.268	H23CCH522556	\$154,003
CSHCS Care Coord. Level II (Fixed Unit Rate)	93.778	B1MIMCHS	\$1,320
CSHCS Case Mge Level III (Fixed Unit Rate)	93.778	B1MIMCHS	\$202
Bioterrorism-Focus A (PCA 85804)	93.283	CCU517018	\$20,000
Bioterrorism-Focus A (PCA 85807)	93.283	CCU517018	\$68,466
Bioterrorism-Focus A (PCA 85907)	93.283	CCU517018	\$8,333
Bioterrorism-Focus B (PCA 85817)	93.283	CCU517018	\$90,374
Bioterrorism-Focus E (PCA 85847)	93.283	CCU517018	\$22,709
Bioterrorism-Focus F (PCA 85857)	93.283	CCU517018	\$4,000
Bioterrorism-Focus G (PCA 85867)	93.283	CCU517018	\$39,057
West Nile Supplemental	93.283	U50 CCU523806	\$5,000
Smallpox Response Exercise	93.283	U90 CCU517018	\$2,000
U.S. Department of Agriculture:			
<u>Michigan Department of Community Health</u>			
Women Infants and Children (PCA 84607)	10.557	XX4W1006	\$177,621
Family Independence Agency:			
Strong Families/Safe Children - T.L.C.Program	93.556	SFSC 03-79001-2	\$19,000
Children's Trust Fund - T.L.C.Program	93.558	CTFPR-04-79001	\$133,788
Environmental Protection Agency:			
<u>Department of Environmental Quality</u>			
Operator Certification	66.471	PCA 41813	\$2,000
Michigan Department of Education:			
Early-On Grant	84.181	Tuscola ISD	\$6,010
Early-On Grant IDA (Fixed Unit Rate)	84.181	Tuscola ISD	\$1,760
Great Start Funding - Baby Shower	84.181	Tuscola ISD	\$2,500
Other Grants:			
Michigan Abstinence Partnership-Community Action Plan - Tuscola Intermediate School Dist.	93.235	20041468-1	\$42,500
			\$1,019,143

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

NOTE 1--Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tuscola County Health Department and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

NOTE 2--Reconciliation of Revenue Reported in the Financial Statements with
Expenditures of Federal Awards

Intergovernmental revenue		\$ 1,458,696
Less:		
Cost sharing	(226,563)	
State and local grants	<u>(212,990)</u>	<u>(439,553)</u>
		<u>\$ 1,019,143</u>